

AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 850**

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**Introduced by Assembly Member Nazarian**

February 21, 2013

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An act to amend ~~Section 6585~~ of Sections 6585, 6588, 6590, 6591, 6592, and 6599.3 of, and to add Section 6588.7 to, the Government Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 850, as amended, Nazarian. Public capital facilities: water quality.

Existing law, the Marks-Roos Local Bond Pooling Act of 1985, authorizes joint powers authorities, among other powers, to issue bonds and loan the proceeds to local agencies to finance specified types of projects and programs.

This bill would ~~declare the intent of the Legislature to amend the Marks-Roos Local Bond Pooling Act of 1985 to permit~~ *authorize a joint powers agencies to more affordably finance mandated capital improvement projects relating to water quality, and also would make a technical, nonsubstantive change to the act authority, commonly referred to as a JPA, upon the application of a local agency that owns and operates a publicly owned utility, as defined, to issue rate reduction bonds to finance a utility project, as defined, under specified circumstances. The bill would provide that the rate reduction bonds are secured by utility project property, as defined. The bill would authorize the JPA to impose on, and collect from, customers of the publicly owned utility a utility project charge, as a separate nonbypassable charge, to finance the rate reduction bond. The bill would authorize the JPA to adjust the utility project charge to correct*

for any overcollection or undercollection to ensure timely payment of the financing costs of the rate reduction bonds. The bill would require the JPA to enter into a servicing agreement with the local agency for the collection of the utility project charge.

Vote: majority. Appropriation: no. Fiscal committee: no.  
 State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     ~~SECTION 1. It is the intent of the Legislature to amend the~~  
 2 ~~Marks-Roos Local Bond Pooling Act of 1985, to permit joint~~  
 3 ~~powers agencies to more affordably finance mandated capital~~  
 4 ~~improvement projects relating to water quality.~~

5     ~~SEC. 2.~~

6     ~~SECTION 1.~~ Section 6585 of the Government Code is amended  
 7 to read:

8     6585. The definitions in this section shall govern the  
 9 construction and interpretation of this article.

10     (a) (1) Except as provided in paragraphs (2) and (3), “authority”  
 11 means an entity created pursuant to Article 1 (commencing with  
 12 Section 6500) *and includes any successor to the powers and*  
 13 *functions of that entity.*

14     (2) In the case of an authority issuing bonds pursuant to this  
 15 chapter in which VLF receivables, as defined in subdivision (j),  
 16 are pledged to the payment of the bonds, other than VLF  
 17 receivables so pledged for a county of the first class, an authority  
 18 shall consist of not fewer than 100 local agencies.

19     (3) In the case of an authority issuing bonds pursuant to this  
 20 chapter in which Proposition 1A receivables, as defined in  
 21 subdivision (g), are pledged to the payment of the bonds, an  
 22 authority shall consist of not fewer than 250 local agencies.

23     (b) “Bond purchase agreement” means a contractual agreement  
 24 executed between the authority and the local agency whereby the  
 25 authority agrees to purchase bonds of the local agency.

26     (c) “Bonds” means all of the following:

27     (1) Bonds, including, but not limited to, assessment bonds,  
 28 redevelopment agency bonds, government-issued mortgage bonds,  
 29 and industrial development bonds.

30     (2) Notes, including bond, revenue, tax, or grant anticipation  
 31 notes.

1 (3) Commercial paper, floating rate and variable maturity  
2 securities, and any other evidences of indebtedness.

3 (4) Certificates of participation or lease-purchase agreements.

4 (d) *“Conservation or reclamation purposes” mean a utility*  
5 *project designed to reduce the amount of potable water to be*  
6 *supplied by a publicly owned utility or reduce the amount of water*  
7 *imported by the publicly owned utility, including without limitation,*  
8 *storm water capture and treatment, water recycling, development*  
9 *of local groundwater resources, groundwater recharging, and*  
10 *water reclamation.*

11 ~~(d)~~

12 (e) *“Cost,” as applied to a public capital improvement, a utility*  
13 *project, or portion thereof of the improvement or utility project*  
14 *financed under this part, means all of the following:*

15 (1) All or any part of the cost of construction, renovation, and  
16 acquisition of all lands, structures, real or personal property, rights,  
17 rights-of-way, franchises, easements, and interests acquired or  
18 used for a public capital improvement *or a utility project.*

19 (2) The cost of demolishing or removing any buildings or  
20 structures on land so acquired, including the cost of acquiring any  
21 lands to which the buildings or structures may be moved, and the  
22 cost of all machinery and equipment.

23 (3) Finance charges.

24 (4) Interest prior to, during, and for a period after, completion  
25 of that construction, as determined by the authority.

26 (5) Provisions for working capital, reserves for principal and  
27 interest and for extensions, enlargements, additions, replacements,  
28 renovations, and improvements.

29 (6) The cost of architectural, engineering, financial and legal  
30 services, plans, specifications, estimates, and administrative  
31 expenses.

32 (7) Other expenses necessary or incidental to determining the  
33 feasibility of constructing any project or incidental to the  
34 construction or acquisition or financing of any public capital  
35 improvement *or utility project.*

36 (f) *“Financing costs” mean any of the following:*

37 (1) *Interest and redemption premiums that are payable on rate*  
38 *reduction bonds.*

39 (2) *The cost of retiring the principal of rate reduction bonds,*  
40 *whether at maturity, including acceleration of maturity upon an*

1 *event of default, or upon redemption, including sinking fund*  
2 *redemption.*

3 *(3) A cost related to issuing or servicing rate reduction bonds,*  
4 *including, but not limited to, servicing fees, trustee fees, legal fees,*  
5 *administrative fees, bond counsel fees, bond placement or*  
6 *underwriting fees, remarketing fees, broker dealer fees,*  
7 *independent manager fees, payment under an interest rate swap*  
8 *agreement, financial advisor fees, accounting report fees,*  
9 *engineering report fees, and rating agency fees.*

10 *(4) A payment or expense associated with a bond insurance*  
11 *policy, financial guaranty or a contract, agreement, or other credit*  
12 *enhancement for rate reduction bonds or a contract, agreement,*  
13 *or other financial agreement entered into in connection with rate*  
14 *reduction bonds.*

15 *(5) The funding of one or more reserve accounts related to rate*  
16 *reduction bonds.*

17 *(g) (1) "Financing resolution" means a resolution adopted by*  
18 *the governing body of an authority financing a utility project with*  
19 *rate reduction bonds that establishes and imposes a utility project*  
20 *charge in connection with the rate reduction bonds in accordance*  
21 *with Section 6588.7*

22 *(2) A financing resolution may be separate from a resolution*  
23 *authorizing the issuance of the rate reduction bonds.*

24 *(e)*

25 *(h) "Legislative body" means the governing body of a local*  
26 *agency.*

27 *(f)*

28 *(i) "Local agency" means a party to the agreement creating the*  
29 *authority, or an agency or subdivision of that party, sponsoring a*  
30 *project of public capital improvements, or any city, county, city*  
31 *and county, authority, district, or public corporation of this state.*

32 *(j) "Mandate" means a requirement, imposed by a mandating*  
33 *entity by any means, including without limitation, a statute, rule,*  
34 *regulation, an administrative or judicial order, a building,*  
35 *operating, or licensing requirement or condition, or an agreement*  
36 *with, or license or permit from, the mandating entity, on a facility*  
37 *of a publicly owned utility or a facility operated in whole or in*  
38 *part for the benefit of a publicly owned utility, or on the operations*  
39 *of the publicly owned utility, or on the water pumped, acquired,*  
40 *or supplied by the publicly owned utility.*

1 (k) (1) “Mandating entity” means the United States; a state of  
2 the United States; an agency, department, commission, or other  
3 subdivision of the United States or a state of the United States; a  
4 court of the United States or a state of the United States; or any  
5 other body or organization, that has jurisdiction over the  
6 operations of a publicly owned utility; the facility of a publicly  
7 owned utility, or a facility operated in whole or in part for the  
8 benefit of a publicly owned utility; or the water pumped, acquired  
9 or sold by a publicly owned utility.

10 (2) “Mandating entity” does not include a local agency that  
11 owns the publicly owned utility.

12 ~~(g)~~

13 (l) “Proposition 1A receivable” means the right to payment of  
14 moneys due or to become due to a local agency, pursuant to clause  
15 (iii) of subparagraph (B) of paragraph (1) of subdivision (a) of  
16 Section 25.5 of Article XIII of the California Constitution and  
17 Section 100.06 of the Revenue and Taxation Code.

18 ~~(h)~~

19 (m) “Public capital improvements” means one or more projects  
20 specified in Section 6546.

21 (n) “Publicly owned utility” means a utility furnishing water  
22 service to retail customers that is owned and operated by a local  
23 agency or a department or other subdivision of a local agency and  
24 includes any successor to the powers and functions of the  
25 department or other subdivision.

26 (o) “Rate reduction bonds” mean bonds that are issued by an  
27 authority, the proceeds of which are used directly or indirectly to  
28 pay or reimburse a local agency or its publicly owned utility for  
29 the payment of the costs of a utility project, and that are secured  
30 by a pledge of, and are payable from, bonds as provided in Section  
31 6588.7.

32 ~~(i)~~

33 (p) “Revenue” means income and receipts of the authority from  
34 any of the following:

35 (1) A bond purchase agreement.

36 (2) Bonds acquired by the authority.

37 (3) Loans installment sale agreements, and other  
38 revenue-producing agreements entered into by the authority.

39 (4) Projects financed by the authority.

40 (5) Grants and other sources of income.

1 (6) VLF receivables purchased pursuant to Section 6588.5.

2 (7) Proposition 1A receivables purchased pursuant to Section  
3 6588.6.

4 (8) Interest or other income from any investment of any money  
5 in any fund or account established for the payment of principal or  
6 interest or premiums on bonds.

7 (q) *“Utility project” means the acquisition, construction,*  
8 *installation, retrofitting, rebuilding, or other addition to, or*  
9 *improvement of, any equipment, device, structure, improvement,*  
10 *process, facility, technology, rights or property, located either*  
11 *within, or outside of, the State of California, and that is used, or*  
12 *to be used, in connection with the operations of a publicly owned*  
13 *utility in response to a mandate related to water quality or to a*  
14 *mandate for conservation or reclamation purposes.*

15 (r) *“Utility project charge” means a charge paid or to be paid*  
16 *by water distribution customers of a publicly owned utility to pay*  
17 *financing costs of rate reduction bonds issued to finance a utility*  
18 *project for a publicly owned utility that is imposed pursuant to*  
19 *Section 6588.7, including any adjustment of the charge pursuant*  
20 *to Section 6588.7.*

21 (s) *“Utility project property” means the property right created*  
22 *pursuant to Section 6588.7, including without limitation, the right,*  
23 *title, and interest of an authority for any of the following:*

24 (1) *In and to the financing resolution and the utility charge*  
25 *established with respect to the rate reduction bonds, as adjusted*  
26 *from time to time in accordance with Section 6588.7.*

27 (2) *To be paid the financing costs of the rate reduction bonds*  
28 *and to all revenues, collections, claims, payments, moneys, or*  
29 *proceeds for, or arising from, the utility project charge relating*  
30 *to the rate reduction bonds.*

31 (3) *In and to all rights to obtain adjustments to the utility project*  
32 *charge relating to the rate reduction bonds pursuant to Section*  
33 *6588.7.*

34 (j)

35 (t) *“VLF receivable” means the right to payment of moneys due*  
36 *or to become due to a local agency out of funds payable in*  
37 *connection with vehicle license fees to a local agency pursuant to*  
38 *Section 10754.11 of the Revenue and Taxation Code.*

39 (k)

1 (u) “Working capital” means money to be used by, or on behalf  
2 of, a local agency for any purpose for which a local agency may  
3 borrow money pursuant to Section 53852, or for any purpose for  
4 which a VLF receivable or a Proposition 1A receivable sold to an  
5 authority could have been used by the local agency.

6 *SEC. 2. Section 6588 of the Government Code is amended to*  
7 *read:*

8 6588. In addition to other powers specified in an agreement  
9 pursuant to Article 1 (commencing with Section 6500) and Article  
10 2 (commencing with Section 6540), the authority may do any or  
11 all of the following:

12 (a) Adopt bylaws for the regulation of its affairs and the conduct  
13 of its business.

14 (b) Sue and be sued in its own name.

15 (c) Issue bonds, including, at the option of the authority, bonds  
16 bearing interest, to pay the cost of any public capital improvement,  
17 working capital, or liability or other insurance program. In addition,  
18 for any purpose for which an authority may execute and deliver  
19 or cause to be executed and delivered certificates of participation  
20 in a lease or installment sale agreement with any public or private  
21 entity, the authority, at its option, may issue or cause to be issued  
22 bonds, rather than certificates of participation, and enter into a  
23 loan agreement with the public or private entity.

24 (d) Engage the services of private consultants to render  
25 professional and technical assistance and advice in carrying out  
26 the purposes of this article.

27 (e) As provided by applicable law, employ and compensate  
28 bond counsel, financial consultants, and other advisers determined  
29 necessary by the authority in connection with the issuance and sale  
30 of any bonds.

31 (f) Contract for engineering, architectural, accounting, or other  
32 services determined necessary by the authority for the successful  
33 development of a public capital improvement.

34 (g) Pay the reasonable costs of consulting engineers, architects,  
35 accountants, and construction, land-use, recreation, and  
36 environmental experts employed by any sponsor or participant if  
37 the authority determines those services are necessary for the  
38 successful development of public capital improvements.

39 (h) Take title to, and sell by installment sale or otherwise, lands,  
40 structures, real or personal property, rights, rights-of-way,

1 franchises, easements, and other interests in lands that are located  
2 within the state that the authority determines are necessary or  
3 convenient for the financing of public capital improvements, or  
4 any portion thereof.

5 (i) Receive and accept from any source, loans, contributions,  
6 or grants, in either money, property, labor, or other things of value,  
7 for, or in aid of, the construction financing, or refinancing of public  
8 capital improvement, or any portion thereof or for the financing  
9 of working capital or insurance programs, or for the payment of  
10 the principal of and interest on bonds if the proceeds of those bonds  
11 are used for one or more of the purposes specified in this section.

12 (j) Make secured or unsecured loans to any local agency in  
13 connection with the financing of capital improvement projects,  
14 working capital or insurance programs in accordance with an  
15 agreement between the authority and the local agency. However,  
16 no loan shall exceed the total cost of the public capital  
17 improvements, working capital or insurance needs of the local  
18 agency as determined by the local agency and by the authority.

19 (k) Make secured or unsecured loans to any local agency in  
20 accordance with an agreement between the authority and the local  
21 agency to refinance indebtedness incurred by the local agency in  
22 connection with public capital improvements undertaken and  
23 completed.

24 (l) Mortgage all or any portion of its interest in public capital  
25 improvements and the property on which any project is located,  
26 whether owned or thereafter acquired, including the granting of a  
27 security interest in any property, tangible or intangible.

28 (m) Assign or pledge all or any portion of its interests in  
29 mortgages, deeds of trust, indentures of mortgage or trust, or  
30 similar instruments, notes, and security interests in property,  
31 tangible or intangible, of a local agency to which the authority has  
32 made loans, and the revenues therefrom, including payment or  
33 income from any interest owned or held by the authority, for the  
34 benefit of the holders of bonds issued to finance public capital  
35 improvements. The pledge of moneys, revenues, accounts, contract  
36 rights, or rights to payment of any kind made by or to the authority  
37 pursuant to the authority granted in this part shall be valid and  
38 binding from the time the pledge is made for the benefit of the  
39 pledgees and successors thereto, against all parties irrespective of  
40 whether the parties have notice of the claim.

1 (n) Lease the public capital improvements being financed to a  
2 local agency, upon terms and conditions that the authority deems  
3 proper; charge and collect rents therefor; terminate any lease upon  
4 the failure of the lessee to comply with any of the obligations of  
5 the lease; include in any lease provisions that the lessee shall have  
6 options to renew the lease for a period or periods, and at rents as  
7 determined by the authority; purchase or sell by an installment  
8 agreement or otherwise any or all of the public capital  
9 improvements; or, upon payment of all the indebtedness incurred  
10 by the authority for the financing or refinancing of the public  
11 capital improvements, the authority may convey any or all of the  
12 project to the lessee or lessees.

13 (o) Charge and apportion to local agencies that benefit from its  
14 services the administrative costs and expenses incurred in the  
15 exercise of the powers authorized by this article. These fees shall  
16 be set at a rate sufficient to recover, but not exceed, the authority's  
17 costs of issuance and administration. The fee charged to each local  
18 obligation acquired by the pool shall not exceed that obligation's  
19 proportionate share of those costs. The level of these fees shall be  
20 disclosed to the California Debt and Investment Advisory  
21 Commission pursuant to Section 6599.1.

22 (p) Issue, obtain, or aid in obtaining, from any department or  
23 agency of the United States or of the state, or any private company,  
24 any insurance or guarantee to, or for, the payment or repayment  
25 of interest or principal, or both, or any part thereof, on any loan,  
26 lease, or obligation or any instrument evidencing or securing the  
27 same, made or entered into pursuant to this article.

28 (q) Notwithstanding any other provision of this article, enter  
29 into any agreement, contract, or any other instrument with respect  
30 to any insurance or guarantee; accept payment in the manner and  
31 form as provided therein in the event of default by a local agency;  
32 and assign any insurance or guarantee that acts as security for the  
33 authority's bonds.

34 (r) Enter into any agreement or contract, execute any instrument,  
35 and perform any act or thing necessary, convenient, or desirable  
36 to carry out any power authorized by this article.

37 (s) Invest any moneys held in reserve or sinking funds, or any  
38 moneys not required for immediate use or disbursement, in  
39 obligations that are authorized by law for the investment of trust  
40 funds.

1 (t) At the request of affected local agencies, combine and pledge  
2 revenues to public capital improvements for repayment of one or  
3 more series of bonds issued pursuant to this article.

4 (u) Delegate to any of its individual parties or other responsible  
5 individuals the power to act on its behalf subject to its general  
6 direction, guidelines, and oversight.

7 (v) Purchase, with the proceeds of its bonds or its revenue, bonds  
8 issued by any local agency at public or negotiated sale. Bonds  
9 purchased pursuant to this subdivision may be held by the authority  
10 or sold to public or private purchasers at public or negotiated sale,  
11 in whole or in part, separately or together with other bonds issued  
12 by the authority.

13 (w) Purchase, with the proceeds of its bonds or its revenue, VLF  
14 receivables sold to the authority pursuant to Section 6588.5. VLF  
15 receivables so purchased may be pledged to the payment of bonds  
16 issued by the authority or may be resold to public or private  
17 purchasers at public or negotiated sale, in whole or in part,  
18 separately or together with other VLF receivables purchased by  
19 the authority.

20 (x) (1) Purchase, with the proceeds of its bonds or its revenue,  
21 Proposition 1A receivables pursuant to Section 6588.6. Proposition  
22 1A receivables so purchased may be pledged to the payment of  
23 bonds issued by the authority or may be resold to public or private  
24 purchasers at public or negotiated sales, in whole or in part,  
25 separately or together with other Proposition 1A receivables  
26 purchased by the authority.

27 (2) (A) All entities subject to a reduction of ad valorem property  
28 tax revenues required under Section 100.06 of the Revenue and  
29 Taxation Code pursuant to the suspension set forth in Section  
30 100.05 of the Revenue and Taxation Code shall be afforded the  
31 opportunity to sell their Proposition 1A receivables to the authority.

32 (B) If these entities offer Proposition 1A receivables to the  
33 authority for purchase and duly authorize the sale of the Proposition  
34 1A receivable pursuant to documentation approved by the  
35 authority, the authority shall purchase all Proposition 1A  
36 receivables so offered to the extent it can sell bonds therefor. If  
37 the authority does not purchase all Proposition 1A receivables  
38 offered, it shall purchase a pro rata share of each entity's offered  
39 Proposition 1A receivables.

1 (C) The authority may establish a deadline, no earlier than  
2 November 3, 2009, by which these entities shall offer their  
3 Proposition 1A receivables for sale to the authority and complete  
4 the application required by the authority.

5 (3) For purposes of meeting costs incurred in performing its  
6 duties relative to the purchase and sale of Proposition 1A  
7 receivables, the authority shall be authorized to charge a fee to  
8 each entity from which it purchases a Proposition 1A receivable.  
9 The fee shall be computed based on the percentage value of the  
10 Proposition 1A receivable purchased from each entity, in relation  
11 to the value of all Proposition 1A receivables purchased by the  
12 authority. The amount of the fee shall be paid from the proceeds  
13 of the bonds and shall be included in the principal amount of the  
14 bonds.

15 (4) Terms and conditions of any and all fees and expenses  
16 charged by the authority, or those it contracts with, and the terms  
17 and conditions of sales of Proposition 1A receivables and bonds  
18 issued pursuant to this subdivision, including the terms of optional  
19 early redemption provisions, if any, shall be approved by the  
20 Treasurer and the Director of Finance, who shall not unreasonably  
21 withhold their approval. The aggregate principal amount of all  
22 bonds issued pursuant to this subdivision shall not exceed two  
23 billion two hundred fifty million dollars (\$2,250,000,000), and the  
24 rate of interest paid on those bonds shall not exceed 8 percent per  
25 annum. The authority shall exercise its best efforts to obtain the  
26 lowest cost financing possible. Any and all premium obtained shall  
27 be used for either of the following:

28 (A) Applied to pay the costs of issuance of the bonds.

29 (B) Deposited in a trust account that is pledged to bondholders  
30 and used solely for the payment of interest on, or for repayment  
31 of, the bonds.

32 (5) (A) In connection with any financing backed by Proposition  
33 1A receivables, the Treasurer may retain financial advisors, legal  
34 counsel, and other consultants to assist in performing the duties  
35 required by this chapter and related to that financing.

36 (B) Notwithstanding any other provision of law, none of the  
37 following shall apply to any agreements entered into by the  
38 Treasurer pursuant to subparagraph (A) in connection with any  
39 Proposition 1A financing:

40 (i) Section 11040 of the Government Code.

1 (ii) Section 10295 of the Public Contract Code.  
 2 (iii) Article 3 (commencing with Section 10300) and Article 4  
 3 (commencing with Section 10335) of, Chapter 2 of Part 2 of  
 4 Division 2 of the Public Contract Code, except for the authority  
 5 of the Department of Finance under Section 10336 of the Public  
 6 Contract Code to direct a state agency to transmit to it a contract  
 7 for review, and except for Section 10348.5 of the Public Contract  
 8 Code.

9 (C) Any costs incurred by the Treasurer in connection with any  
 10 Proposition 1A financing shall be reimbursed out of the proceeds  
 11 of the financing.

12 (y) *Finance utility projects through the issuance of rate*  
 13 *reduction bonds, and to impose and adjust utility project charges*  
 14 *in connection with the financing pursuant to Section 6588.7.*

15 ~~(y)~~

16 (z) Set any other terms and conditions on any purchase or sale  
 17 pursuant to this section as it deems by resolution to be necessary,  
 18 appropriate, and in the public interest, in furtherance of the  
 19 purposes of this article.

20 *SEC. 3. Section 6588.7 is added to the Government Code, to*  
 21 *read:*

22 *6588.7. (a) A local agency that owns and operates a publicly*  
 23 *owned utility may apply to an authority to finance costs of a utility*  
 24 *project for the publicly owned utility with the proceeds of rate*  
 25 *reduction bonds. In its application to an authority for the financing,*  
 26 *the local agency shall specify the utility project to be financed by*  
 27 *the rate reduction bonds, the maximum principal amount, the*  
 28 *maximum interest rate, and the maximum stated terms of the rate*  
 29 *reduction bonds.*

30 *(b) A local agency shall not apply to an authority for financing*  
 31 *of a utility project pursuant to this section unless the legislative*  
 32 *body of the local agency has determined all of the following:*

33 *(1) The project to be financed is a utility project.*

34 *(2) The local agency is electing to finance costs of the utility*  
 35 *project pursuant to this section and the financing costs associated*  
 36 *with the financing are to be paid from utility project property,*  
 37 *including the utility project charge for the rate reduction bonds*  
 38 *issued for the utility project in accordance with this section.*

39 *(3) Based on information available to, and projections used by,*  
 40 *the legislative body, the financing is expected to result in lower*

1 rates to the customers of the local agency's publicly owned utility  
2 compared with financing the utility project through bonds payable  
3 from revenues of the publicly owned utility.

4 (c) (1) Subject to the requirements of Article XIII D of the  
5 California Constitution, an authority financing the costs of a utility  
6 project or projects for a local agency's publicly owned utility with  
7 rate reduction bonds is authorized and directed to impose and  
8 collect a utility project charge with respect to the rate reduction  
9 bonds as provided in this section. The imposition of the utility  
10 project charge shall be made and evidenced by the adoption of a  
11 financing resolution by the governing body of the authority. The  
12 financing resolution with respect to financing a utility project or  
13 project with rate reduction bonds for a publicly owned utility shall  
14 include all of the following:

15 (A) The addition of a separate charge to the bill of each  
16 customer of distribution service of the publicly owned utility in  
17 the class or classes of customers specified in the financing  
18 resolution.

19 (B) A description of the financial calculation, formula, or other  
20 method that the authority is to use to determine the utility project  
21 charge. The calculation, formula or other method shall include a  
22 periodic adjustment method to the then current utility project  
23 charge, to be applied at least annually, that shall be utilized by  
24 the authority to correct for any overcollection or undercollection  
25 of financing costs from the utility project charge or any other  
26 adjustment necessary to ensure timely payment of the financing  
27 costs of the rate reduction bonds, including, but not limited to, the  
28 adjustment of the utility project charge to pay any debt service  
29 coverage requirement for the rate reduction bonds. The financial  
30 calculation, formula, or other method, including the periodic  
31 adjustment method, established in the financing resolution pursuant  
32 to this section, and the allocation of utility project charges to, and  
33 among, water distribution customers shall be decided solely by  
34 the governing body of the authority and shall be final and  
35 conclusive. In no event shall the periodic adjustment method  
36 established in the financing resolution be applied less frequently  
37 than required by the financing resolution and the documents  
38 relating to the applicable rate reduction bonds. Once the financial  
39 calculation, formula, or other method for determining the utility  
40 project charge, and the periodic adjustment method, have been

1 *established in the financing resolution and have become final and*  
2 *conclusive as provided in this section, they shall not be changed.*

3 *(C) A requirement that the authority enter into a servicing*  
4 *agreement for the collection of the utility project charge with the*  
5 *local agency for which the financing is undertaken or its publicly*  
6 *owned utility and the local agency or its publicly owned utility*  
7 *shall act as a servicing agent for purposes of collecting the utility*  
8 *project charge as long as the servicing agreement remains in effect.*  
9 *Moneys collected by the local agency or its publicly owned utility,*  
10 *acting as a servicing agent on behalf of the authority, as a utility*  
11 *project charge shall be held in trust for the exclusive benefit of the*  
12 *persons entitled to the financing costs to be paid, directly or*  
13 *indirectly, from the utility project charge and shall not lose their*  
14 *character as revenues of the authority by virtue of possession by*  
15 *the local agency or its publicly owned utility. The local agency or*  
16 *its publicly owned utility shall provide the authority with the*  
17 *information as to estimated sales of water and any other*  
18 *information concerning the publicly owned utility required by the*  
19 *authority in connection with the initial establishment and the*  
20 *adjustment of the utility project charge.*

21 *(2) The determination of the legislative body of the local agency*  
22 *that a project to be financed with rate reduction bonds is a utility*  
23 *project shall be final and conclusive and the rate reduction bonds*  
24 *issued to finance the utility project and the utility project charge*  
25 *imposed relating to the rate reduction bonds shall be valid and*  
26 *enforceable in accordance with the terms of the financing*  
27 *resolution and the documents relating to the rate reduction bonds.*  
28 *The authority shall require, in its financing resolution with respect*  
29 *to a utility project charge, that as long as a customer obligated to*  
30 *pay the utility project charge obtains water distribution service*  
31 *from the applicable publicly owned utility, the customer shall pay*  
32 *the utility project charge regardless of whether or not the customer*  
33 *obtains water or water services other than water distribution*  
34 *service from a person or entity other than the publicly owned*  
35 *utility. The utility project charge shall be a nonbypassable charge*  
36 *to all water distribution customers of the publicly owned utility in*  
37 *the class or classes of customers specified in the financing*  
38 *resolution that are receiving water distribution service from the*  
39 *publicly owned utility at the time of adoption of the financing*  
40 *resolution and all future water distribution customers in that class*

1 *or classes. If a customer of the publicly owned utility that is subject*  
2 *to a utility project charge ceases taking water or water services*  
3 *other than water distribution service from the publicly owned*  
4 *utility, the customer shall remain liable for the payment of its share*  
5 *of the utility project charge as if it had not ceased taking the water*  
6 *or water service from the publicly owned utility. The liability may*  
7 *be discharged by the continued payment of its share of the utility*  
8 *project charge as it accrues or by a one-time payment, as*  
9 *determined by the authority. All provisions of a financing resolution*  
10 *adopted pursuant to this subdivision shall be binding on the*  
11 *authority.*

12 *(3) The timely and complete payment of all utility project*  
13 *charges by a person liable for the charges shall be a condition of*  
14 *receiving water service from the publicly owned utility of the local*  
15 *agency and each of the local agency and its publicly owned utility*  
16 *is authorized to use its established collection policies and all rights*  
17 *and remedies provided by law to enforce payment and collection*  
18 *of the utility project charge. In no event shall a person liable for*  
19 *a utility project charge be entitled or authorized to withhold*  
20 *payment, in whole or in part, of the utility project charge for any*  
21 *reason.*

22 *(4) The authority shall determine whether adjustments to the*  
23 *utility project charge relating to rate reduction bonds are required*  
24 *upon the issuance of the rate reduction bonds and at least annually,*  
25 *and at additional intervals as may be provided for in the financing*  
26 *resolution or the documents relating to the rate reduction bonds.*  
27 *Each adjustment shall be made and put into effect in accordance*  
28 *with the financial calculation, formula, or other method that the*  
29 *authority is to use to determine the utility project charge pursuant*  
30 *to the financing resolution expeditiously after the authority's*  
31 *determination that the adjustment is required.*

32 *(5) All revenues with respect to utility project property related*  
33 *to rate reduction bonds, including payments of the utility project*  
34 *charge, shall be applied first to the payment of the financing costs*  
35 *of the related rate reduction bonds then due, including the funding*  
36 *of reserves for the rate reduction bonds, with any excess being*  
37 *applied as determined by the authority for the benefit of the utility*  
38 *for which the rate reduction bonds were issued.*

39 *(6) The authority shall be obligated to impose and collect the*  
40 *utility project charge relating to rate reduction bonds in amounts,*

1 based on estimates of water usage subject to the utility project  
2 charge, sufficient to pay on a timely basis the financing costs  
3 associated with the rate reduction bonds when due. The pledge of  
4 a utility project charge to secure the payment of rate reduction  
5 bonds shall be irrevocable, and the State of California, the  
6 authority, or any limited liability company acting pursuant to  
7 subdivision (i) shall not reduce, impair, or otherwise adjust the  
8 utility project charge, except that the authority shall implement  
9 the periodic adjustments to the utility project charge relating to  
10 rate reduction bonds as required by the applicable financing  
11 resolution and the documents relating to the rate reduction bonds.  
12 Revenue from a utility project charge shall be deemed special  
13 revenue of the authority and shall not constitute revenue of the  
14 local agency or its publicly owned utility for any purpose, including  
15 without limitation, any dedication, commitment, or pledge of  
16 revenue, receipts, or other income that the local agency or its  
17 publicly owned utility has made or will make for the security of  
18 any of its obligations.

19 (7) A utility project charge shall constitute a utility project  
20 property when, and to the extent that, a financing resolution  
21 authorizing the utility project charge has become effective in  
22 accordance with its terms, and the utility project property shall  
23 thereafter continuously exist as property for all purposes with all  
24 of the rights and privileges of this section for the period, and to  
25 the extent, provided in the financing resolution, but in any event  
26 until all financing costs with respect to the related rate reduction  
27 bonds are paid in full, including all arrearages thereon.

28 (8) Utility project property shall constitute a current property  
29 right notwithstanding that the value of the property right will  
30 depend on consumers using water or, in those instances where  
31 consumers are customers of the publicly owned utility, the publicly  
32 owned utility performing certain services.

33 (9) In the event a local agency for which rate reduction bonds  
34 have been issued and remain outstanding ceases to provide water  
35 distribution services, either directly or through its publicly owned  
36 utility, references in this section to the local agency or to its  
37 publicly owned utility shall be to the entity providing water  
38 distribution service in lieu of the local agency and the entity shall  
39 assume and perform all obligations of the local agency and its  
40 publicly owned utility required by this section and the servicing

1 agreement with the local agency while the rate reduction bonds  
2 remain outstanding.

3 (d) (1) Rate reduction bonds shall be within the parameters of  
4 the financing set forth by the local agency pursuant to subdivision  
5 (a) in connection with the rate reduction bonds and the proceeds  
6 of the rate reduction bonds made available to the local agency or  
7 its publicly owned utility shall be utilized for the utility project  
8 identified in the application for financing of the utility project or  
9 projects pursuant to subdivision (a).

10 (2) An authority shall authorize the issuance of rate reduction  
11 bonds by a resolution of its governing body. Rate reduction bonds  
12 shall be nonrecourse to the credit or any assets of the local agency  
13 and the publicly owned utility for which the utility project is  
14 financed and shall be payable from, and secured by a pledge of,  
15 the utility project property relating to the rate reduction bonds  
16 and any additional security or credit enhancement specified in the  
17 documents relating to the rate reduction bonds.

18 (3) An authority issuing rate reduction bonds shall pledge the  
19 utility project property relating to the rate reduction bonds as  
20 security for the payment of the rate reduction bonds, which pledge  
21 shall be made pursuant to, and with the effect set forth in Section  
22 5451 of the Government Code. All rights of an authority with  
23 respect to utility project property pledged as security for the  
24 payment of rate reduction bonds shall be for the benefit of, and  
25 enforceable by, the beneficiaries of the pledge to the extent  
26 provided in the documents relating to the rate reduction bonds.

27 (4) To the extent that any interest in utility project property is  
28 pledged as security for the payment of rate reduction bonds, the  
29 applicable local agency or its publicly owned utility shall contract  
30 with the authority, which contract shall be part of the utility project  
31 property, that the local agency or its publicly owned utility will  
32 continue to operate its publicly owned utility system that includes  
33 the financed utility project to provide service to its customers, will,  
34 as servicer, collect amounts in respect of the utility project charge  
35 for the benefit and account of the authority and the beneficiaries  
36 of the pledge of the utility project charge and will account for and  
37 remit these amounts to, or for the account of, the authority.

38 (5) Notwithstanding any other law, any requirement under this  
39 section, a financing resolution, any other resolution of the  
40 authority, or the provisions of the documents relating to rate

1 reduction bonds to the effect that the authority shall take action  
2 with respect to the utility project property relating to the rate  
3 reduction bonds shall be binding upon the authority, as its  
4 governing body may be constituted from time to time, and the  
5 authority shall have no power or right to rescind, alter, or amend  
6 any resolution or document containing the requirement.

7 (6) Notwithstanding any law, except as otherwise provided in  
8 this section with respect to adjustments to a utility project charge,  
9 the recovery of the financing costs for the rate reduction bonds  
10 from the utility project charge shall be irrevocable and the  
11 authority shall not have the power either by rescinding, altering,  
12 or amending the applicable financing resolution or otherwise, to  
13 revalue or revise for ratemaking purposes the financing costs of  
14 rate reduction bonds, determine that the financing costs for the  
15 related rate reduction bonds or the utility project charge is unjust  
16 or unreasonable, or in any way reduce or impair the value of utility  
17 project property that includes the utility project charge, either  
18 directly or indirectly; nor shall the amount of revenues arising  
19 with respect to the financing costs for the related rate reduction  
20 bonds or the utility project charge be subject to reduction,  
21 impairment, postponement, or termination for any reason until all  
22 financing costs to be paid from the utility project charge are fully  
23 met and discharged. Except as otherwise provided in this section  
24 with respect to adjustments to a utility project charge, the State  
25 of California does hereby pledge and agree with the owners of  
26 rate reduction bonds that the State of California shall neither limit  
27 nor alter the financing costs or the utility project property,  
28 including the utility project charge, relating to the rate reduction  
29 bonds, or any rights in, to or under, the utility project property  
30 until all financing costs with respect to the rate reduction bonds  
31 are fully met and discharged. This section does not preclude  
32 limitation or alteration if and when adequate provision shall be  
33 made by law for the protection of the owners. The authority is  
34 authorized to include this pledge and undertaking by the State of  
35 California in the governing documents for rate reduction bonds.  
36 Notwithstanding any other provision of this section, the authority  
37 shall make the adjustments to the utility project charge relating  
38 to rate reduction bonds provided by this section and the documents  
39 related to those rate reduction bonds as may be necessary to ensure  
40 timely payment of all financing costs with respect to the rate

1 *reduction bonds. The adjustments shall not impose the utility*  
2 *project charge upon classes of customers which were not subject*  
3 *to the utility project charge pursuant to the financing resolution*  
4 *imposing the utility project charge.*

5 *(e) (1) Financing costs in connection with rate reduction bonds*  
6 *do not constitute a debt or liability of the State of California or of*  
7 *any political subdivision thereof, other than the special obligation*  
8 *of the authority, and do not constitute a pledge of the full faith and*  
9 *credit of the State of California or any of its political subdivisions,*  
10 *including the authority, but are payable solely from the funds*  
11 *provided therefor under this section and in the documents relating*  
12 *to the rate reduction bonds. This subdivision shall in no way*  
13 *preclude guarantees or credit enhancements in connection with*  
14 *rate reduction bonds. All the rate reduction bonds shall contain*  
15 *on the face thereof a statement to the following effect:*

16 *Neither the full faith and credit nor the taxing power of the State*  
17 *of California or any political subdivision thereof is pledged to the*  
18 *payment of the principal of, or interest on, this bond.*

19 *(2) The issuance of rate reduction bonds shall not directly,*  
20 *indirectly, or contingently obligate the State of California or any*  
21 *political subdivision thereof to levy or to pledge any form of*  
22 *taxation to pay the rate reduction bonds or to make any*  
23 *appropriation for their payment.*

24 *(f) (1) Utility project property shall constitute property for all*  
25 *purposes, including for contracts securing rate reduction bonds,*  
26 *whether or not the revenues and proceeds arising with respect*  
27 *thereto have accrued.*

28 *(2) Subject to the terms of the pledge document with respect to*  
29 *a pledge of utility project property, the validity and relative priority*  
30 *of a pledge created or authorized under this section is not defeated*  
31 *or adversely affected by the commingling of revenues arising with*  
32 *respect to the utility project property with other funds of the local*  
33 *agency or the publicly owned utility collecting a utility project*  
34 *charge on behalf of an authority.*

35 *(g) (1) There shall exist a statutory lien on the utility project*  
36 *property relating to rate reduction bonds. Upon the effective date*  
37 *of the financing resolution relating to rate reduction bonds, there*  
38 *shall exist a first priority statutory lien on all utility project*  
39 *property, then existing or, thereafter arising, to secure the payment*  
40 *of the rate reduction bonds. This lien shall arise pursuant to law*

1 by operation of this section automatically without any action on  
2 the part of the authority, the local agency or its publicly owned  
3 utility, or any other person. This lien shall secure the payment of  
4 all financing costs, then existing or subsequently arising, to the  
5 holders of the rate reduction bonds, the trustee or representative  
6 for the holders of the rate reduction bonds, and any other entity  
7 specified in the financing resolution or the documents relating to  
8 the rate reduction bonds. This lien shall attach to the utility project  
9 property regardless of who shall own, or shall subsequently be  
10 determined to own, the utility project property including any local  
11 agency or its publicly owned utility, the authority, or any other  
12 person. This lien shall be valid and enforceable against the owner  
13 of the utility project property and all third parties upon the  
14 effectiveness of the financing resolution without any further public  
15 notice.

16 (2) The statutory lien on utility project property created by this  
17 section is a continuously perfected lien on all revenues and  
18 proceeds arising with respect thereto, whether or not the revenues  
19 or proceeds have accrued. Utility project property shall constitute  
20 property for all purposes, including for contracts securing rate  
21 reduction bonds, whether or not the revenues or proceeds arising  
22 with respect thereto have accrued.

23 (3) In addition, the authority may require, in a financing  
24 resolution creating utility project property, that, in the event of  
25 default by the local agency or its publicly owned utility, in payment  
26 of revenues arising with respect to the utility project property, the  
27 authority, upon the application by the beneficiaries of the statutory  
28 lien, and without limiting any other remedies available to the  
29 beneficiaries by reason of the default, shall order the sequestration  
30 and payment to the beneficiaries of revenues arising with respect  
31 to the utility project property.

32 (h) Notwithstanding any other law, an authority that has  
33 financed a utility project through the issuance of rate reduction  
34 bonds is not authorized, and no governmental officer or  
35 organization shall be empowered to authorize the authority, to  
36 become a debtor in a case under the United States Bankruptcy  
37 Code (11 U.S.C. Sec. 1 et seq.) or to become the subject of any  
38 similar case or proceeding under any other law, whether federal  
39 or State of California, as long as any payment obligation from

1 *utility project property remains with respect to the rate reduction*  
2 *bonds.*

3 *(i) An authority may elect to effect a financing of a utility project*  
4 *pursuant to this section through a single member limited liability*  
5 *company formed by the authority by authorizing the company to*  
6 *adopt the financing resolution and the authority's issuing rate*  
7 *reduction bonds payable from, and secured by a pledge of, amounts*  
8 *paid by the company to the authority from the applicable utility*  
9 *project property pursuant to an agreement. The provisions of*  
10 *subdivisions (f) and (g) shall apply to and be the exclusive method*  
11 *of perfecting a pledge of utility project property by the company*  
12 *securing the payment of financing costs under any agreement of*  
13 *the company in connection with the issuance of rate reduction*  
14 *bonds. Reference to the authority in this section and in all related*  
15 *defined terms shall mean or include the company as necessary to*  
16 *implement this subdivision.*

17 *SEC. 4. Section 6590 of the Government Code is amended to*  
18 *read:*

19 6590. The authority may, from time to time, issue its bonds in  
20 the principal amount as the authority determines necessary to  
21 provide sufficient funds for its purposes, which may include, but  
22 shall not be limited to, providing funds for bond purchase  
23 agreements, payment of the purchase price of VLF receivables,  
24 payment of the purchase price of Proposition 1A receivables,  
25 *financing utility projects*, payment of interest on bonds of the  
26 authority, establishment of reserves to secure the bonds, and other  
27 expenditures of the authority incident to issuance of the bonds.  
28 The authority may also issue bonds for the purpose of making  
29 loans to local agencies, to the extent those local agencies are  
30 authorized by law to borrow moneys, or to purchase VLF  
31 receivables from local agencies as provided in Section 6588.5, or  
32 to purchase Proposition 1A receivables as provided in Section  
33 6588.6, and the loan or sale proceeds shall be used by the local  
34 agencies to pay for public capital improvements, working capital,  
35 or insurance programs. The aggregate principal amount of all bonds  
36 issued pursuant to this section that are backed by Proposition 1A  
37 receivables shall not exceed two billion two hundred fifty million  
38 dollars (\$2,250,000,000), and that issuance shall be approved by  
39 the Department of Finance and the Treasurer.

1 In the case of any authority in existence on January 1, 1988, no  
2 loans shall be made to local agencies for working capital or  
3 insurance, unless that purpose is first approved by resolution of  
4 the governing body of the authority by unanimous vote of all  
5 members of the governing body.

6 *SEC. 5. Section 6591 of the Government Code is amended to*  
7 *read:*

8 6591. (a) The authority is authorized from time to time to issue  
9 bonds to provide funds to achieve its purposes.

10 (b) Bonds may be authorized to finance any of the following:

11 (1) A single public capital improvement, *utility projects*, working  
12 capital, purchase of VLF receivables, purchase of Proposition 1A  
13 receivables, or insurance program for a single local agency.

14 (2) A series of public capital improvements, *utility projects*,  
15 working capital, purchases of VLF receivables, purchase of  
16 Proposition 1A receivables, or insurance program for a single local  
17 agency.

18 (3) A single public capital improvement, *utility projects*, working  
19 capital, purchases of Proposition 1A receivables, or purchases of  
20 VLF receivables or insurance program for two or more local  
21 agencies.

22 (4) A series of public capital improvements, *utility projects*,  
23 working capital, purchases of VLF receivables or purchases of  
24 Proposition 1A receivables or insurance programs for two or more  
25 local agencies.

26 (c) Bonds issued for the purpose of financing working capital  
27 shall be used to make loans to local agencies for any of the  
28 purposes for which a local agency may borrow money pursuant  
29 to Section 53852. The loans shall be repaid in accordance with the  
30 terms of Section 53854.

31 (d) Except as otherwise expressly provided by the authority,  
32 every issue of its bonds shall be general obligations of the authority  
33 payable from any revenues or moneys of the authority available  
34 therefor and not otherwise pledged. These revenues or moneys  
35 may include the proceeds of additional bonds, subject only to any  
36 agreements with the holders of particular bonds pledging any  
37 particular revenues or moneys. Notwithstanding that the bonds  
38 may be payable from a special fund, these bonds shall be deemed  
39 to be negotiable instruments for all purposes, subject only to the  
40 bond registration provisions.

1 (e) (1) The bonds may be issued as serial bonds or as term  
2 bonds, or the authority may issue bonds of both types. The bonds  
3 shall be authorized by resolution of the authority and shall, as  
4 provided by the resolution or indenture pursuant to which the bonds  
5 are issued, meet all of the following conditions:

6 (A) Bear the date of issuance.

7 (B) Bear the time of maturity, not exceeding 50 years from their  
8 date of issuance.

9 (C) Bear the rate of interest, either fixed or variable, and, if  
10 variable, not in excess of the maximum rate of interest specified  
11 therein.

12 (D) Be payable as to principal and interest at the time or times  
13 provided.

14 (E) Be in the denominations and in the form provided.

15 (F) Carry the registration privileges provided.

16 (G) Be executed in the manner provided.

17 (H) Be payable in lawful money of the United States at the place  
18 or places provided within or without the state.

19 (I) Be subject to the terms of redemption provided.

20 (2) Notwithstanding paragraph (1), the bonds backed by  
21 Proposition 1A receivables shall have a maturity date no later than  
22 August 1, 2013.

23 (3) For bonds backed by Proposition 1A receivables, both of  
24 the following shall apply:

25 (A) The option to call shall be exercised upon receipt by the  
26 authority of a timely written notification from the Director of  
27 Finance, but no earlier than 30 days after delivery by the director  
28 of a written notice of the intent to do so to the Joint Legislative  
29 Budget Committee.

30 (B) The bonds may bear interest payable on periodic interest  
31 payment dates or may accrue interest to their maturity date or any  
32 combination thereof, subject to the approval of the Department of  
33 Finance and the State Treasurer pursuant to subdivision (x) of  
34 Section 6588.

35 (f) The bonds shall be sold by the authority at the time and in  
36 the manner set out in the authority's resolution. The sale may be  
37 a public or private sale, and for price or prices, and on terms and  
38 conditions as the authority determines proper, after giving due  
39 consideration to the recommendations of any local agency to be  
40 assisted from the proceeds of the bonds. Pending preparation of

1 the definitive bonds, the authority may issue interim receipts,  
2 certificates, or temporary bonds which shall be exchanged for  
3 definitive bonds. For bonds backed by Proposition 1A receivables,  
4 the authority shall use its best efforts to obtain the lowest overall  
5 cost of the bonds, and shall certify that it so used its best efforts.  
6 The authority shall, in consultation with the Treasurer and  
7 Department of Finance, structure the sale of the bonds backed by  
8 Proposition 1A receivables and shall include those terms and  
9 conditions approved by the Treasurer and the Department of  
10 Finance.

11 (g) In the case of bonds issued by an authority, on or after  
12 January 1, 1995, for the purpose of purchasing bonds of a local  
13 agency, all of the bonds of the local agency shall be purchased by  
14 the authority from the proceeds of the authority bonds within 90  
15 days of the date of issuance of the authority bonds. Nothing in this  
16 subdivision shall be construed to preclude an authority from issuing  
17 parity bonds at any time.

18 *SEC. 6. Section 6592 of the Government Code is amended to*  
19 *read:*

20 6592. Any resolution authorizing any bonds or any issue of  
21 bonds may contain the following provisions, which shall be a part  
22 of the contract with the holders of the bonds to be authorized:

23 (a) Provisions pledging the full faith and credit of the authority,  
24 or pledging all or any part of the revenues of any public capital  
25 improvements, or any revenue-producing contract or contracts  
26 made by the authority with any local agency, any VLF receivables  
27 purchased pursuant to Section 6588.5, *any utility project property*,  
28 any Proposition 1A receivables purchased pursuant to Section  
29 6588.6, or any other moneys of the authority, to secure the payment  
30 of the bonds, and of any special account, subject to those  
31 agreements with bondholders as may then exist.

32 (b) Provisions setting out the rentals, fees, purchase payments,  
33 loan repayments, and other charges, and the amounts to be raised  
34 in each year thereby, and the use and disposition of the revenues.

35 (c) Provisions setting aside reserves or sinking funds, and the  
36 regulation and disposition thereof.

37 (d) Limitations on the right of the authority or its agent to restrict  
38 and regulate the use of the public capital improvements to be  
39 financed out of the proceeds of the bonds or any particular issue  
40 of bonds.

1 (e) Limitations on the purpose to which the proceeds of sale of  
2 any issue of bonds may be applied, and pledging the proceeds to  
3 secure the payment of the bonds or any issue of the bonds.

4 (f) Limitations on the issuance of additional bonds, the terms  
5 upon which additional bonds may be issued and secured, and the  
6 refunding of outstanding bonds.

7 (g) The procedure, if any, by which the terms of any contract  
8 with bondholders may be amended or abrogated, the amount of  
9 bonds and the holders thereof that are required to give consent  
10 thereto, and the manner in which the consent may be given.

11 (h) Limitations on expenditures for operating, administrative,  
12 or other expenses of the authority.

13 (i) Definitions of acts or omissions to act which constitute a  
14 default in the duties of the authority to holders of its obligations,  
15 and providing the rights and remedies of the holders in the event  
16 of a default.

17 (j) The mortgaging of any public capital improvements and the  
18 site thereof for the purpose of securing the bondholders.

19 (k) The mortgaging of land, improvements, or other assets  
20 owned by a local agency for the purpose of securing the  
21 bondholders.

22 (l) Procedures for the selection of public capital improvements  
23 to be financed with the proceeds of the bonds authorized by the  
24 resolution, if the bonds are to be sold in advance of designating  
25 the public capital improvements and the local agency to receive  
26 the financing.

27 *SEC. 7. Section 6599.3 of the Government Code is amended*  
28 *to read:*

29 6599.3. Notwithstanding any other provision of law, an action  
30 may be brought under Chapter 9 (commencing with Section 860)  
31 of Title 10 of Part 2 of the Code of Civil Procedure, to determine  
32 the validity of any bonds issued under this article to finance the  
33 purchase of bonds for local agencies, the financing of public capital  
34 improvements *or utility projects*, or the purchase of VLF  
35 receivables pursuant to Section 6588.5 or Proposition 1A  
36 receivables pursuant to Section 6588.6 and any contracts of sale  
37 of VLF receivables or Proposition 1A receivables *or utility project*  
38 *property* entered into by any local agency, and any related  
39 documents. If an action is commenced, the action shall be brought  
40 in the jurisdiction in which the authority maintains its principal

1 office and is not required to be brought in the jurisdiction or  
2 jurisdictions of any of the local agencies. However, publication of  
3 summons, as provided in Section 861 of the Code of Civil  
4 Procedure, shall be made in the county in which the authority  
5 maintains its principal office and in each county in which any local  
6 agency that has sold bonds to the authority, for which a public  
7 capital improvement is being financed or that has entered into a  
8 sales agreement for a VLF receivable or a Proposition 1A  
9 receivable where the authority is located.

10 *SEC. 8. This act and all grants of power and authority in this*  
11 *act shall be liberally construed to effectuate their purposes, and*  
12 *all incidental powers necessary to carry into effect the provisions*  
13 *of this act are expressly granted to, and conferred upon, public*  
14 *entities.*

15 *SEC. 9. The provisions of this act are severable. If any*  
16 *provision of this act or its application is held invalid, that invalidity*  
17 *shall not affect other provisions or applications that can be given*  
18 *effect without the invalid provision or application.*